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DE RUEHRK #0073/01 1071626  
ZNR UUUUU ZZH  
R 171626Z APR 09  
FM AMEMBASSY REYKJAVIK  
TO RUEHC/SECSTATE WASHDC 4047  
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE  
RUEAIIA/CIA WASHDC

UNCLAS SECTION 01 OF 02 REYKJAVIK 000073

SIPDIS

SENSITIVE

STATE FOR EUR/NB

E.O. 12958: N/A

TAGS: [PGOV](#) [PREL](#) [PINR](#) [IC](#)

SUBJECT: ICELAND: THE SOCIAL DEMOCRATIC ALLIANCE -- AN OVERVIEW

¶1. (U) Summary: Prime Minister Sigurdardottir's Social Democratic Alliance is riding high in the polls ahead of Iceland's April 25 parliamentary election, and is on the verge of becoming the country's leading political party. An April victory would fulfill the party's raison d'etre of forming a credible counterweight to the conservative Independence Party's dominance of Icelandic politics, and would put to rest the question of whether the Icelandic left can ever truly be united. If Sigurdardottir stays on as PM, it will also help resolve the party's turmoil following the sudden illness and retirement from politics of previous SDA Chair Ingibjorg Solrun Gisladdottir. Though conflicted on defense and security issues, the SDA is avowedly pro-EU, and will without doubt work to bring the EU membership question to the fore should it stay in power after the election. End Summary.

¶2. (U) The Social Democratic Alliance (SDA) was formally established as a political party in 2000. Four traditional leftist parties merged to form the SDA: The Social Democratic Party (SDP), The People's Alliance (PA), The Women's List (WL), and a split-off party from the SDP, the National Awakening, established by current PM Johanna Sigurdardottir. The SDA wanted to challenge the dominance of the Independence Party by creating a large, unified social democratic party akin to those in the other Nordic countries. This effort was initially stymied by the establishment of a new splinter left party, the Left-Green Movement. The Alliance won only 27 percent of the 1999 vote, but made strong gains in 2003 with 31 percent of the vote. In the 2007 elections support dwindled again to 27 percent, but the SDA's credibility rebounded after Ingibjorg Solrun Gisladdottir brought them into government with the Independence Party. Thanks in large part to the economic collapse in 2008 and the fact that public discontent has focused on the IP rather than the Social Dems, current polls show the SDA set to finally cement a place as a credible counterweight to the long-dominant IP.

¶3. (U) The SDA has had trouble articulating a coherent foreign policy as the views of the three traditional leftist parties that formed the SDA do not readily converge. The SDP was very supportive of NATO and the U.S. presence, while the PA long advocated withdrawing from NATO and ending the bilateral defense relationship. The WL advocated an essentially pacifist policy. The SDP was the only Icelandic party in favor of EU membership, which both the PA and the WL strongly opposed. Today the SDA champions EU membership for Iceland and the adoption of the euro as Iceland's currency. The SDA favors defense ties with the US and is a supporter of NATO membership and the ongoing shaping of a security policy for Iceland in conjunction with NATO, the EU and the other Nordics. That said, there are still some within the party that cling to the notion that Iceland does not need to spend any money on defense. These voices have gained some following in the wake of the 2008 economic crisis.

¶4. (SBU) Ingibjorg Solrun Gisladdottir succeeded Ossur Skarphedinsson as SDA Chair to much fanfare in 2005, but her efforts to unify the party did not immediately translate into better standing with the public. In the run-up to the 2007 parliamentary elections, the party did not seem to have a coherent policy on the most important issues to voters. Party members made contradictory remarks in the media on SDA voters' core issues, including the environment and further build-up of heavy industry. Voters sensed this, and polls showed party support going down to only 20 percent. It is possible that voters were suffering from what some termed "Ingibjorg Solrun fatigue," as she had been prominent in Icelandic politics for a long time as Reykjavik Mayor and then a member of parliament. However, the SDA was able to rally from this low point, capitalizing on doubts about the radical Left-Green Movement's credibility, and emerged as the second-largest party in the Althingi.

¶5. (U) The SDA formed a majority coalition with the IP after the elections that pledged to be a "liberal reforming government" for a dynamic economy, a robust welfare system, improved household finances, and greater business competitiveness. The coalition was popular from the outset, but as dark economic clouds started gathering on the horizon in early 2008, public support began to dwindle. The highly leveraged financial system collapsed as lending lines closed internationally in September, and the government took over Iceland's three largest banks. Public demonstrations that started in October and culminated in January channeled anger and frustration at the IP-SDA majority coalition and such institutions as the Central Bank and Financial Supervisory Authority. At the end of January, the coalition broke down under the pressure.

¶6. (SBU) Gisladdottir was diagnosed with a brain tumor after becoming ill when attending the UN General Assembly in September 2008. As a result, during the most hectic moments of the crisis she was out on medical leave and unable to resume a full schedule. Her absence was a double-edged sword for the party. Many observers note that with Gisladdottir out, Prime Minister and IP Chair Geir Haarde

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became the sole public face of the cabinet during the crisis, leading many to associate the government's poor handling of affairs with the IP and Haarde alone. The SDA was thus spared the full brunt of popular anger over the collapse. On the other hand, Gisladdottir's absence was also apparent in the increasingly open

tension between the coalition partners and disagreements between SDA ministers. After the IP-SDA coalition broke up, several IP insiders vented their frustration with the SDA, which they viewed as "ungovernable" without Gisladdottir's steady hand.

17. (SBU) Gisladdottir returned briefly to the fray as the coalition unwound in January, but then chose to step down as Foreign Minister and did not take a seat in the new SDA-Left Green minority coalition headed by Johanna Sigurdardottir as Prime Minister. A break from political work in February proved insufficient for Gisladdottir to fully recover her health, and in early March she announced her departure from politics for an unspecified time. All eyes turned to Sigurdardottir, who received tremendous support in the SDA's Reykjavik primary and came under massive pressure to declare her candidacy in the election for SDA Chair at the SDA national convention in late March. After giving it some thought, Sigurdardottir ran unopposed and received 98 percent of the total vote at the national convention.

18. (SBU) The SDA primaries produced some regeneration of party lineups in all six constituencies. Half of the candidates are incumbent MPs while the other half is either absolute newcomers or have previous ties to the SDA. The party leadership says that the most important tasks at hand for the next government will be to ensure the increased creation of wealth, employment, and welfare. In this regard, the SDA wants to reestablish the Icelandic financial system and re-instill faith in the Icelandic economy. The SDA believes it is necessary to follow through with the plan agreed on with the IMF and that it is vitally important to initiate EU accession talks as soon as possible. Although the SDA has stated its preference to continue working with the Left-Green Movement in a coalition government, it has not ruled out other coalition options. Some believe this is a tactic to force the LG to the table on the EU question, as the Left-Greens are still reluctant to move closer to Brussels. Given the strength of SDA conviction on the EU question, however, there is little doubt that a continued government under Prime Minister Sigurdardottir's leadership will move to address the issue sooner rather than later.

VAN VOORST